



# City of Norfolk

## FY2007

### Proposed Budget in Brief

April 26, 2006

#### TABLE OF CONTENTS

Budget Highlights	1
Cornerstones of the Budget	2
Challenges to the City	3
Revenue Highlights	6
Expenditure Summary	7
Real Estate Assessed Value	8
Real Estate Tax	9
Norfolk Communities	11
Capital Projects	12
Public Safety	13
Community Building	13
Education	14
Compensation	15
Art / Culture	15
Taxes and Fees	16

#### Budget Highlights

Each annual budget reflects a finite period of time within an ongoing financial continuum. Revenue and expenditure forecasts are developed based on five-year economic projections and multi-year historical trends and patterns. Yet, at a time when Norfolk is undergoing one of the greatest transformations in its history, and the nation's economy can be sent spinning by hurricanes, terrorism, or gas prices, we must develop the Budget with the understanding we are **a changing city in changing times**.

In FY 2007, funds are projected to grow by 6.1% or \$44.7 million over the FY 2006 Approved Budget. Revenues driving growth include \$24.4 million in general property taxes and \$13.7 million in Categorical Aid from the Commonwealth (the majority of these funds are dedicated to schools).

When discussing the City's budget, a distinction that is rarely made is the amount of funds in which the city has little or no control. These "pass through funds" (accounting for almost 40% of the budget) are state and federal dollars that must be used in areas for which the funds are designated, such as schools, transportation, and aid to families.



## Cornerstones of the Budget

The Proposed Budget rests on these cornerstones:

- **Community:** To continue building and maintaining strong neighborhoods;
- **Youth Development:** To protect and nurture our young people through support for healthy families, education, recreation and libraries;
- **Public Safety:** To continue to achieve a safe and clean City; and,
- **Financial Stability:** To make investments that build economic capacity and promote financial stability.

The challenge of this budget is crafting a way to reduce the residential real estate tax burden while maintaining a structurally balanced budget that addresses on-going needs such as:

- Maintaining existing service levels that are impacted by normal inflationary pressures.
- Responding to residents' requests for more and different services.
- Improving our aging infrastructure and public facilities and addressing deferred maintenance.



## Challenges to the City

The following sections provide an overview of the many challenges the City faces.

### **The City has an Aging Infrastructure**

- The average age of the City's 159 municipal buildings is 32 years.
- The City's 20 most valuable properties have an average age of 38.5 years.
- Schools have 49 buildings with an average age of 42 years.
- Libraries have 11 buildings with an average age of 37 years.
- Recreation and Community Centers have 25 buildings with an average age of 33 years.
- Fire and Rescue Services have 17 buildings with an average age of 42 years.

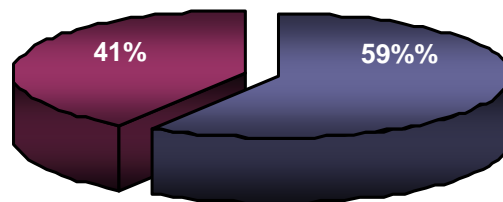
---

### **41% of Norfolk's Property is Tax Exempt**

In Norfolk, 41% of the properties are tax exempt. The foregone potential tax revenues from tax exempt property is approximately \$112 million, which places a huge burden on the city.

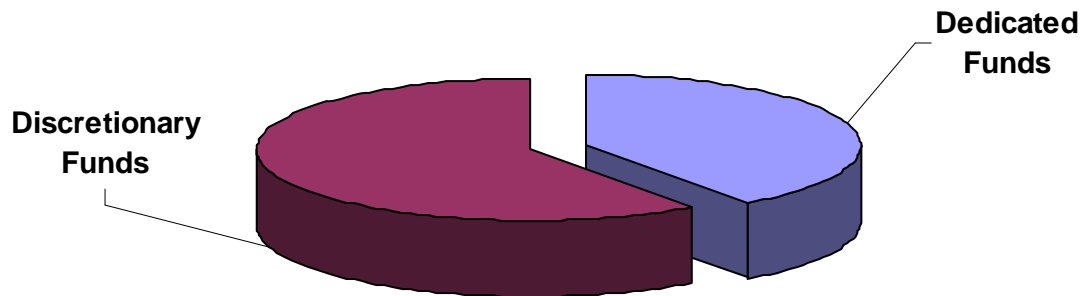
**Tax Exempt  
Property**  
\$8,299,154,530  
41%

**Taxable  
Property**  
\$11,976,038,230  
59%



## Some Funds Have Restrictions

Almost 40% of the budget is simply “pass through funds” earmarked for specific purposes.

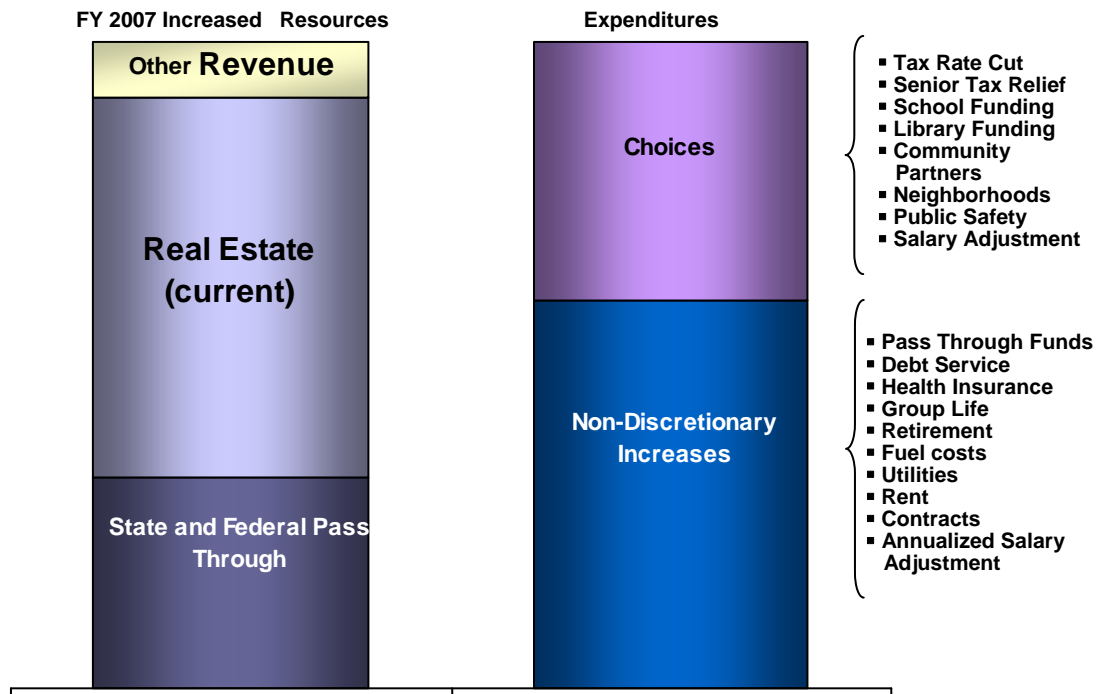


These earmarks for dedicated funds include:

- Categorical Aid for Schools, Human Services, Street Maintenance, Jails
- Shared Expenses for Constitutional Officers
- Federal Aid for Schools



## What it takes to develop a balanced budget



To create capacity for choices, the city manager reviews every operation, almost as if each department's budget is new. Through this process, the administration imposed efficiency savings on departments totaling \$2.6 million, rolled over \$3 million from FY 2006 into FY 2007, and denied budget request totaling more than \$20 million.

### Increases in Fees

The Southeastern Public Service Authority (SPSA) increased the tipping fee for solid waste from \$51.98 per ton to \$57 per ton with possible additional increases in the future. To minimize the impact of high rate increases on residents and to purchase trash trucks in an efficient manner, the Proposed Budget includes the creation of a Waste Management Stabilization Fund. Therefore, the recommended average monthly rate for households will increase from an \$12.75 per month to \$14.50. Corresponding commercial increases are also recommended.

Storm Water rates have not been increased since 1998 which has meant that there have been no increases in revenue to accommodate inflation and the growing environmental requirements. Therefore, the recommended average monthly rate will increase from \$5.48 per month to \$7.60 per month, with a three percent increase for inflation in the following years.

## Revenue Summary—From Where the Money Comes

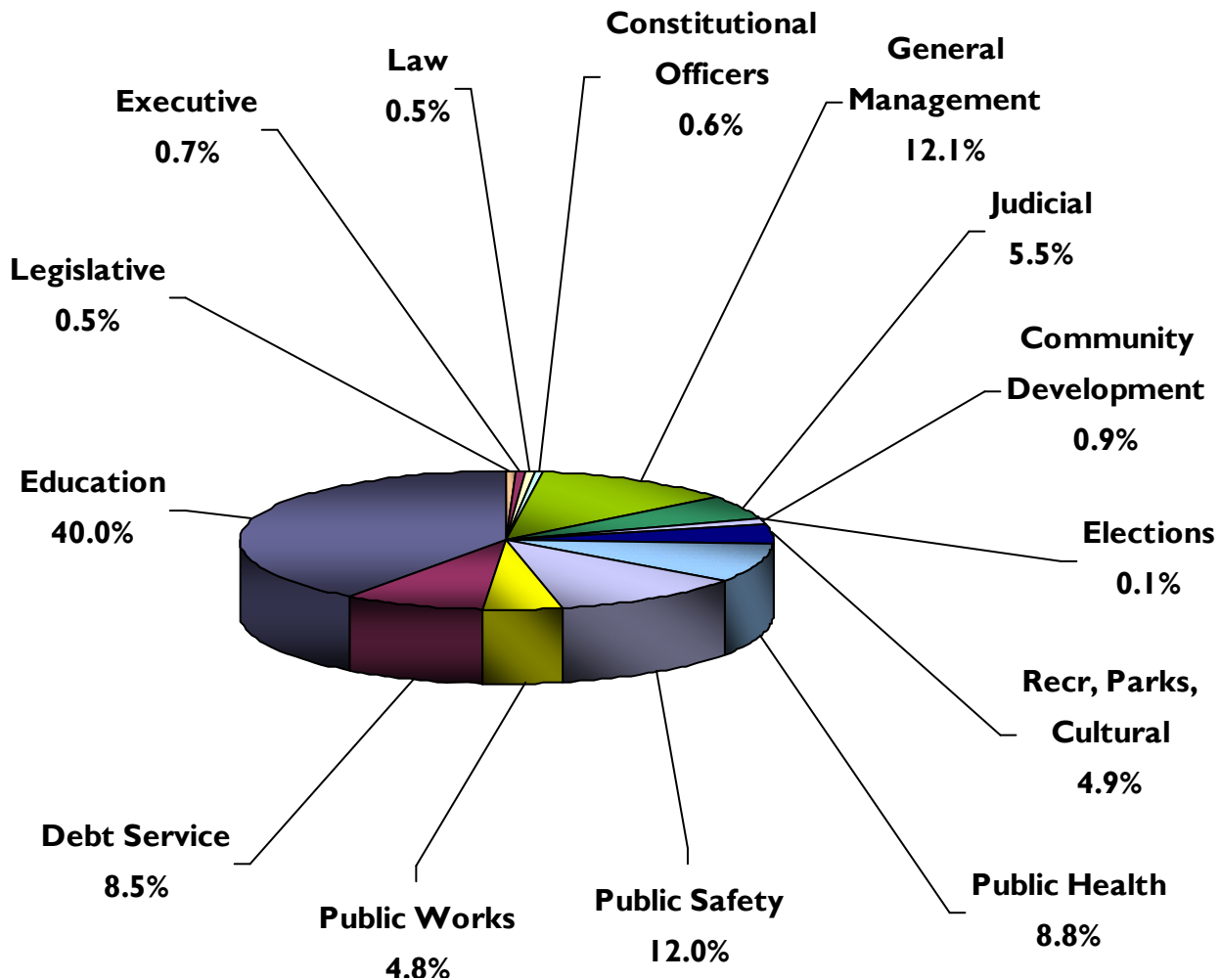
### Sources of Revenue

Source	FY 2005 Approved	FY 2006 Approved	FY 2007 Proposed
General Property Taxes	192,894,904	206,599,000	231,017,046
Other Local Taxes	141,510,674	143,830,400	148,098,854
Permits and Fees	3,541,517	3,441,400	3,907,338
Fines and Forfeitures	1,763,077	1,671,500	1,327,000
Use of Money and Property	8,200,236	6,597,500	8,278,934
Charges for Services	18,857,789	20,723,800	21,947,020
Miscellaneous Revenue	6,504,293	4,332,200	4,020,435
Recovered Costs	14,236,897	12,758,200	9,043,265
Non - Categorical Aid - State	33,040,602	33,793,100	34,571,723
Shared Expenses - State	18,529,230	19,140,100	19,518,508
Categorical Aid - State	240,077,345	252,400,700	266,127,574
Federal Aid	4,950,868	8,354,000	8,843,200
Other Sources and Transfers In	19,376,000	12,759,300	14,350,000
<b>Total</b>	<b>703,483,434</b>	<b>726,401,200</b>	<b>771,050,898</b>

**The revenue categories shown above are in accordance with those required by the Auditor of Public Accounts. Below is a short description of each:**

- General property taxes – real estate and personal property
- Other local taxes – consumer and utility taxes, business taxes
- Permits and fees – planning and public works permits and recreation course fees
- Fines and forfeitures – courts and other fines
- Use of money and property – interest and rental earnings
- Charges for services – user fees
- Miscellaneous revenues – non-category specific revenues
- Recovered costs – recovery of general overhead from other funds and agencies
- Revenue from the Commonwealth
- Federal aid – direct revenues from federal sources
- Other local sources and transfers – transfers from other funds carry over

## Expenditure Summary—Where the Money Goes



### Expenditures by Use

Uses	FY2006	FY2007
Personnel Services	214,336,321	224,023,971
Materials, Supplies & Repairs	33,450,126	36,404,550
Contractual Services	45,805,786	50,428,820
Equipment	2,188,337	3,259,098
Public Assistance	22,528,761	21,195,994
All Purpose Appropriations	344,797,984	372,654,864
Debt Service	63,293,885	63,083,601
<b>Total</b>	<b>726,401,200</b>	<b>771,050,898</b>



### Real Estate Assessed Value

The amount of real estate taxes due for an individual property is based on the property assessment, applied to the adopted tax rate. While City Council has the discretion to set the tax rate, the actual assessment of property is done objectively by several methods, described below.

The Code of Virginia requires that properties be assessed at fair market value, defined as *the price which it will bring when it is offered for sale by one who desires it but is not obligated to sell it, and is bought by one who is under no necessity of having it.*

In Norfolk the Real Estate Assessor's Office uses three methods to arrive at determining value: the **market approach**, mainly for residential property; the **income method** for apartments and some commercial property; and the **cost method** for industrial property.

**Market approach** – This method compares an individual property to others that have sold recently, taking into account overpricing or underpricing to arrive at a fair valuation. Market value is the most probable price, expressed in terms of money, that a property would bring if exposed for sale in the open market in an arm's length transaction between a willing seller and a willing buyer, both of whom are knowledgeable concerning the uses to which it is adapted and for which it is capable of being used.

**Income approach** – This method evaluates the amount of income a property would produce if it were rented. It takes into account operating expenses, insurance, maintenance costs, and the return most people would expect for that type of property.

**Cost approach** – This method is based on how much money it would require, at current material and labor costs, to replace the property with something similar. For properties that are not new this method must consider property depreciation.



## **Tax Assistance**

Because of the rising real estate values, the City has recognized the need for a real estate tax rate reduction.

**The FY 2007 Proposed Budget builds on last years programs by:**

- Cutting the tax rate by another five cents to \$1.30 per \$100 of assessed value and providing across the board relief to all property owners. This is the lowest tax rate since 1989.
- Simplifying and expanding the Senior / Disabled Tax relief program to allow more senior and disabled residents to qualify for full or partial exemption from their real estate taxes. To be eligible for relief, home owners must:
  - Be 65 years of age or older, or totally and permanently disabled
  - Live in the home to be exempted from the real estate tax
  - Have a combined income that does not exceed \$52,000 and a net worth, excluding house, that does not exceed \$350,000

<b>Current Tax Exemption Schedule</b>	
<b>Combined Gross Household Income</b>	<b>% Tax Exempted</b>
0 - 19,228	100%
19,229 - 22,647	90%
22,648 - 26,066	80%
26,067 - 29,485	70%
29,486 - 32,904	60%
32,905 - 36,323	50%
36,324 - 39,742	40%
39,743 - 43,161	30%
43,162 - 46,580	20%
46,581 - 50,000	10%

<b>Proposed Tax Exemption Schedule with Maximum Income of \$52,000</b>	
<b>Combined Gross Household Income</b>	<b>% Tax Exempted</b>
0 - 25,895	100%
25,896 - 32,421	80%
32,422 - 38,948	60%
38,949 - 45,474	40%
45,475 - 52,000	20%

## Tax Assistance Cont'

- Creating a locally-designed Universal Tax Deferral Pilot Program that allows a participant to defer any amount over the first 10% of assessment growth. To qualify the property must be owner occupied and the primary residence of the owner.
  - The combined household income cannot exceed \$100,000
  - The resident must have lived in the home for a minimum of 5 years
  - Taxes deferred under the pilot program will be charged an interest rate of 3.5% and the deferred amount will be due upon the sale or transfer of the property.

	Reduced Potential Revenue	Tax Rate Reduction or Equivalent
Tax Rate Reduction from \$1.35 to \$1.30 (per \$100 of assessed value)	\$7.3 million	5 ¢
Senior and Disabled Tax Relief	\$6.2 million*	4¢
Senior and Disabled Deferral Program	N/A**	N/A
Local Tax Deferral Program	\$750,000	.05¢
<b>Total</b>	<b>\$14.3 million</b>	<b>9.5¢</b>

\*\$900,000 is new relief as a result of the FY 2007 program enhancements. If only counting the enhancement, the total package is 6.1¢



## **Norfolk's Communities**

### **Neighborhood Plans**

#### **Broad Creek Renaissance / HOPE VI**

- A new standard for urban neighborhoods with housing for all income ranges.
- \$1.5 million for HOPE VI infrastructure.
- \$1.0 million for retail or other strategic uses for Haynes Tract, Douglas Park, and other areas of Broad Creek.
- \$210,000 for design work needed for the stabilization of Chesterfield Heights Shoreline.

#### **Fairmount Park**

- \$2.1 million for continued public infrastructure improvements.
- \$100,000 for continued blight property acquisition.

#### **Greater Wards Corner**

- \$300,000 for an increase in hours for the Norfolk Fitness and Wellness Center.
- \$500,000 for the installation of a mast arm signal at Little Creek and Granby.
- \$500,000 to commence implementation of activities resulting from the blight study.

#### **Southside Master Plan**

- \$500,000 to purchase vacant parcels and for redevelopment efforts.
- \$500,000 to acquire property in and around Wilson Road.
- \$500,000 to begin design of an Aquatic Facility.
- \$50,000 to improve South Main St./Hardy Field Corridor.

### **Parks and Recreation Facilities**

- \$350,000 to construct Haven Creek Multi-Use Walking Trail.
- \$3.5 million to construct Lambert's Point Community Center.
- \$103,800 to construct Pretty Lake Fishing and Oyster Pier.
- \$50,000 to construct Skateboard Park.
- \$1.7 million to replace Norview Community Center
- \$315,000 to renovate Lake Taylor Soccer Field.
- \$1.2 million to improve Northside Park.
- \$1.0 million to create a new park for Westside Neighborhoods.

## Capital Projects

The City of Norfolk's Capital Improvement Program is a comprehensive plan which identifies the City's future infrastructure and facility needs, and the corresponding funding required to meet those needs. Last year's Amended CIP totaled \$170.2 million dollars; this year's planned CIP totals \$180.6 million. The major projects in the FY 2007 CIP Program include the following:

Other Citywide Needs:

Selected Projects	FY 2007	Anticipated Project Cost
Court Complex	\$6.6 million	\$95.0 million
Conference Center	\$15.1 million	\$35.2 million
Improve Town Point Park	\$7.5 million	\$7.5 million
Light Rail	6.4 million	68.6 million

- Street, sidewalk, and walkway repair \$1.1 million
- Bridge repair \$3.3 million
- Roof repair \$1.4 million
- Traffic signals \$1.0 million
- Street lights \$265,000
- Underpasses \$1.5 million
- Dredging and waterways \$500,000
- Residential gateways \$300,000
- Improve Existing Recreation Centers \$300,000
- Improve Community & Neighborhood Parks \$500,000
- Renovate Neighborhood Service Centers \$500,000

## **Public Safety**

### **Provides Support for Fire**

- Additional training to upgrade EMT certification
- Additional six operational officers
- \$900,000 to address infrastructure needs at fire stations

### **Provides Support for Police**

- \$3.5 million for a new Police Pistol Range
- \$500,000 to begin work on a second precinct
- \$300,000 for additional operating expenses
- \$425,000 for 11 officers in the COPS program who were previously federally funded.

### **Sheriff and Jail**

- As a result of the increasing jail population, funds are recommended to cover expenses for medical services, increases in cost for inmate meals the use of temporary employees, and per diem costs for the Regional Jail.
- 

## **Community Building**

### **Norfolk Redevelopment and Housing Authority**

- \$4.5 million for Neighborhood Conservation and Rehabilitation areas administered by NRHA.
- \$600,000 for infrastructure improvements to Park Place East
- \$900,000 to support infrastructure needed for the redevelopment of the former Brewery, Goff and Church Street sites.
- \$300,000 to support the continued efforts of the Willoughby Conservation Plan.

### **Public Health and Community Services Board**

- \$575,000 for enhanced services.
- \$300,000 in continued support of the Single Room Occupancy (SRO) initiative.
- Two case managers in support of SRO initiative.

## Education

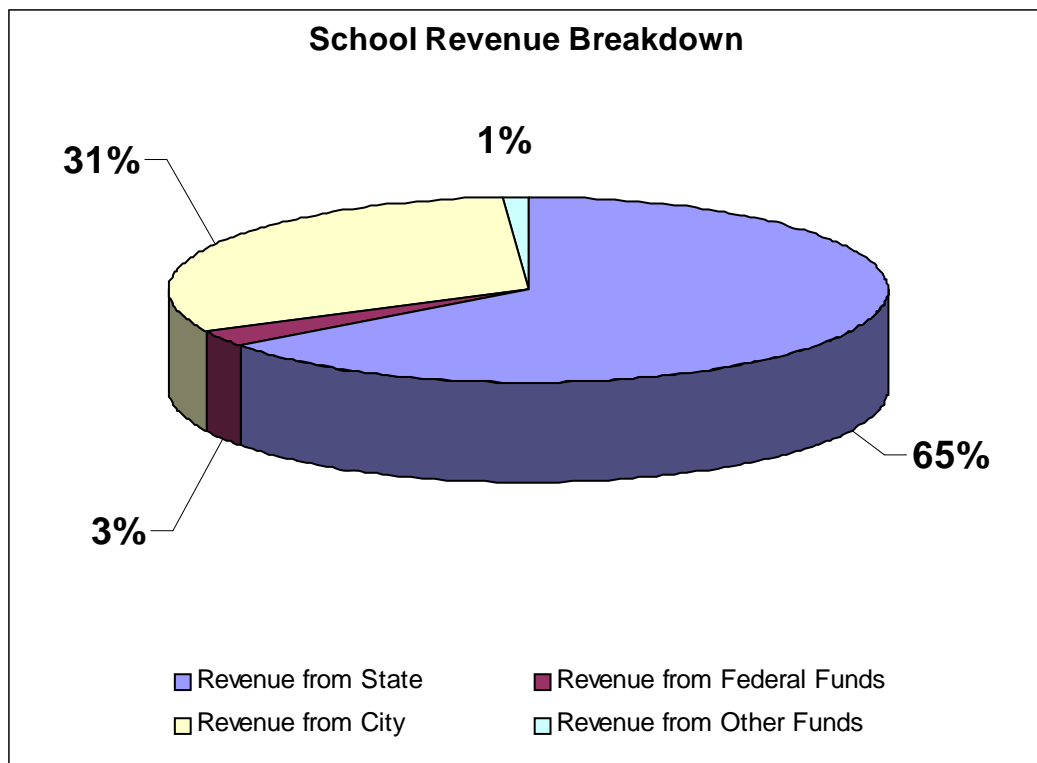
Norfolk Public Schools strives to become a “world class” educational system by 2010. Last year Norfolk Public Schools (NPS) reaped the benefits of years of hard work by winning the 2005 Broad Prize for Urban education for being the best urban school district in the country. The City strives to provide funding to the Schools’ operating and capital needs beyond what the state requires. The Proposed Budget for FY 2007 meets schools funding request of \$6.5 million.

- Local Contribution increase will total \$99.1 million.

### **Capital**

- City committed to a 50-50 partnership to build two new elementary schools.
- Originally projected to cost \$26 million, will now cost \$44 million.
- \$9.4 million is provided to complete Coleman Place Elementary and begin Crossroads Elementary School.

### **FY 2007 School funding is estimated to be \$308.2 million**



## Compensation

### **Provides a Salary Increase for City Employees**

The recommended budget includes a 2.0 percent General Wage Increase and a 2.5 percent step increase as well as the following:

- City picks up health care cost increase.
- Reinstate payments for Group Life insurance.
- Provide 1.5% COLA adjustment to retirees.

---

## Art / Culture

- Continues the one percent funding for the Public Art Program

### **Highlights**

- \$1.5 million in new funding for additional rigging improvements to Scope.
- \$1.0 million in continued support for Chrysler Museum Capital Campaign Match.
- \$850,000 in support of the Next Stage Virginia Arts Festival Capital Campaign for a total of \$1.7 million.
- \$250,000 in SCOPE exhibit hall improvements.
- \$400,000 for restroom improvements at Chrysler Hall.
- \$250,000 for additional theater space at the SCOPE.
- \$1.5 million in support of the continued match for the Zoo Master Plan.

### **Nauticus**

- \$1.7 General Fund supplement.
- \$750,000 for new exhibit creation.

### **Libraries**

- \$1.55 million for furniture, equipment and books needed to open the new Pretlow Anchor Branch Library.
- \$300,000 for citywide operational library needs.





## City Council

Paul D. Fraim, Mayor  
Ward 2

Donald L. Williams  
Ward 1

Anthony L. Burfoot  
Ward 3

Paul R. Riddick  
Ward 4

W. Randy Wright  
Ward 5

Barclay C. Winn  
Ward 6

Daun S. Hester, Vice Mayor  
Ward 7

Regina V.K. Williams,  
City Manager

Budget Book  
available at  
[www.norfolk.gov](http://www.norfolk.gov)

## FY 2007 Proposed Taxes and Fees Summary

<b>Real Estate Tax</b>	\$1.30 / \$100 AV
<b>Personal Property Tax</b>	
Motor Vehicle	\$4.00 / \$100 AV
Airplane	\$2.40 / \$100 AV
Recreational Vehicles	\$1.50 / \$100 AV
Restaurant Meals Tax	6.5%
Admissions Tax	10%
Emergency/911	\$2.95/line/month
Cigarette Tax	\$0.55 per pack
Hotel / Motel Lodging	8%
<b>Refuse Disposal</b>	
Commercial (1time per week)	\$26.45/unit/mo.
Commercial (3 times per week)	\$65.56/unit/mo.
Residential (Single)	\$14.50/unit/mo.
Residential (multiple)	\$20..29/cont./mo.
Combined Commercial/Residential	\$40.95/unit/mo.
<b>Water and Wastewater</b>	
Wastewater	\$2.67/100 cubic ft
Water	\$3.37/100 cubic ft

## Expenditures at a Glance

Item	Average Cost
Fire engine - ladder	\$600,000
Ambulance	\$170,000
Marked police vehicle	\$30,000
Police and Fire Recruit*	\$30,392
One mile of street resurfacing	\$63,000
Street light (average cost for installation)	\$3,000
Traffic signal	\$275,000
Resurfacing Parking Lot	\$3,300 per space
Streetscaping	\$150,000 per block, depending on length of street and work

\* Starting salary does not include benefits or training expenses